DUNEDIN
Home of Honeymoon Island

Department of Finance

Interoffice Memorandum

TO:	Mayor and Commissioners, Robert DiSpirito, City Manager Board of Finance
FROM:	Jeff Streder, Interim Director of Finance Jason Miller, Budget/Financial Analyst
DATE:	October 22, 2015
RE:	Monthly Investment Report for the Period Ended September 30, 2015

This regular reporting fulfills the reporting requirements as outlined in the City's investment policy.

Background

The City's investment policy, adopted by Commission on November 7, 2002 (Resolution 02-39) and revised January 21, 2010 (Resolution 10-05), sets out the guidelines concerning the permitted types of investments, minimum ratings of the investments, maximum lengths of investment, and the diversification standards of the portfolio.

The primary objectives, in priority order, of the City's investment activities shall be: Safety, Liquidity, Transparency, and Return on Investment.

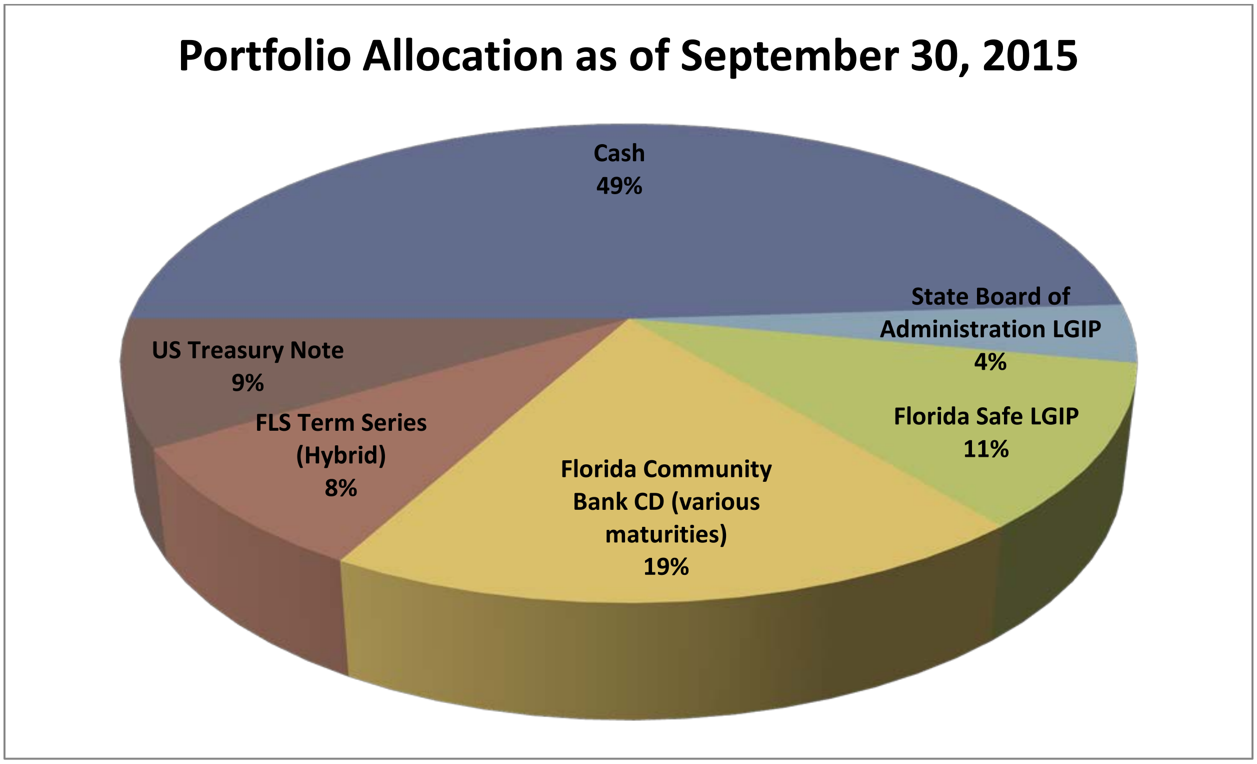
With these objectives in mind, the policy established aggregate limits of eligible securities, as set forth below:

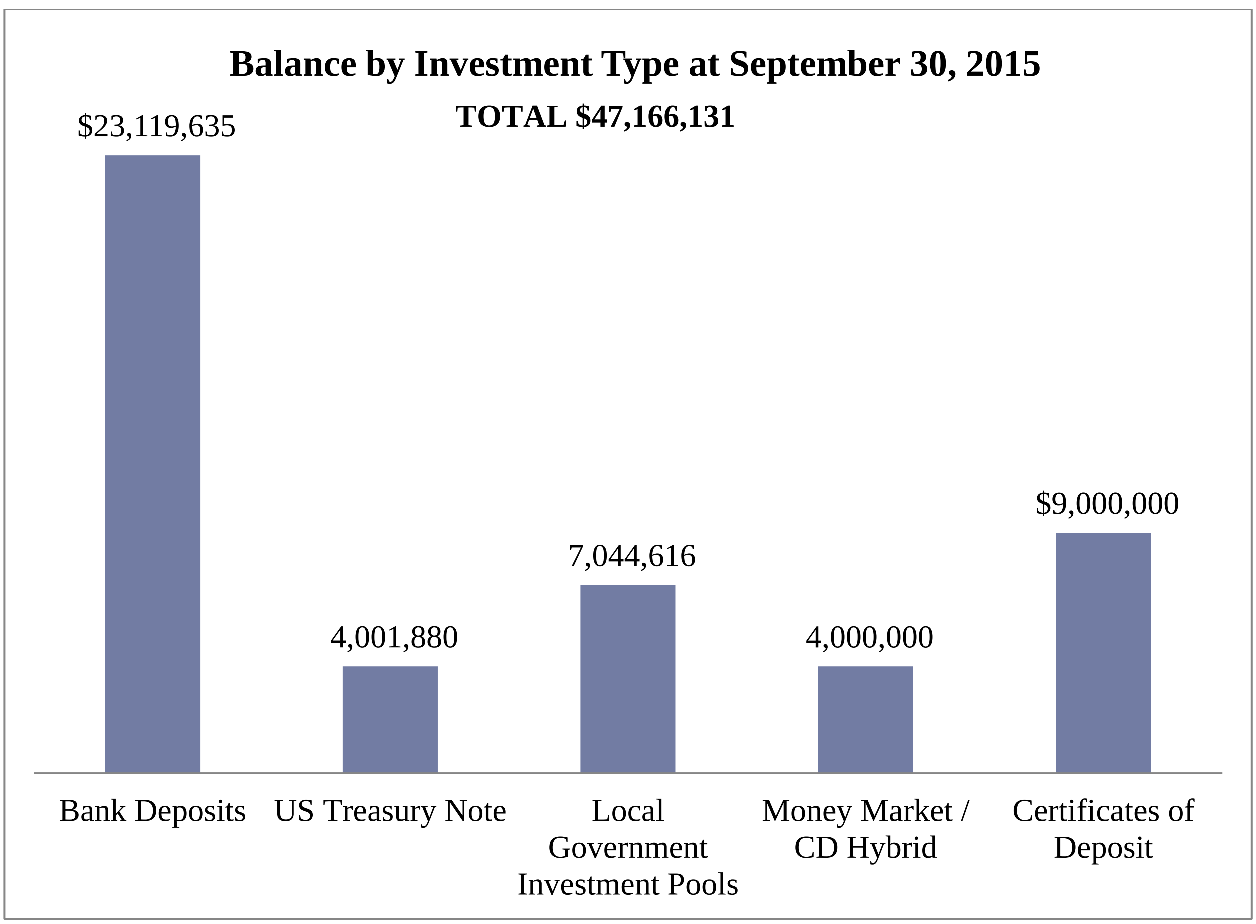
U.S. Treasuries and Federal Agencies	95%
Government Sponsored Enterprises	50%
Local Government Investment Pools	50%
State Board of Administration (Pool A)	5%
State and Local Governments	10%
Money Market Mutual Funds	25%
Certificates of Deposit (Qualified Public Depositories)	40%
Corporate Debt Securities/Commercial Paper	10%
Repurchase Agreements	10%

The policy also further safeguards the portfolio by authorizing a maximum level of investment, in aggregate, by security type, by which no more than 25 percent of the City's investment portfolio will be invested in a single security. No more than 50 percent of the City's total investment portfolio will be invested with, or handled by, a single financial institution or broker/dealer.

Current Portfolio at a Glance

The graphs below break down our portfolio by type of investment, and show amounts invested:





Equity in Pooled Cash

The table below lists the equity in pooled cash by fund.

Equity In Pooled Cash By Major Fund
As of September 30, 2015

General Fund	$	7,015,249
Stadium Fund	$	65,184
Impact Fees	$	181,006
Library Cooperative	$	42,690
County Gas Tax Fund	$	1,135,757
Parks & Rec Capital Projects	$	376,874
I.T. Services Fund	$	82,669
One Cent Sales Tax	$	3,644,163
Refuse Collection Fund	$	563,725
Water/Sewer Utility Fund	$	16,820,601
Marina Fund	$	1,189,586
Stormwater Utility Fund	$	6,807,560
Vehicle Maintenance Fund	$	2,721,536
Facility Maintenance Fund	$	1,142,783
Self-Insurance Fund	$	3,880,621
CRA Fund	$	502,519
Unallocated Interest Balance	$	-
Total:	**$**	**46,172,525**

The variance between the Investment Portfolio's balance and the Pooled Cash balance is due to timing, i.e. deposits in transit and checks, outstanding items and the use of Market Value versus Book Value when valuing investments.

Key National Economic Indicators

Federal Funds Rate – A press release dated September 17, 2015. Information received since the Federal Open Market Committee met in July suggests that economic activity is expanding at a moderate pace. Household spending and business fixed investment have been increasing moderately, and the housing sector has improved further; however, net exports have been soft. The labor market continued to improve, with solid job gains and declining unemployment. On balance, labor market indicators show that underutilization of labor resources has diminished since early this year. Inflation has continued to run below the Committee's longer-run objective, partly reflecting declines in energy prices and in prices of non-energy imports. Market-based measures of inflation compensation moved lower; survey-based measures of longer-term inflation expectations have remained stable.

Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. Recent global economic and financial developments may restrain economic activity somewhat and are likely to put further downward pressure on inflation in the near term. Nonetheless, the Committee expects that, with appropriate policy accommodation, economic activity will expand at a moderate pace, with labor market indicators continuing to move toward levels the Committee judges consistent with its dual mandate. The Committee continues to see the risks to the outlook for economic activity and the labor market as nearly balanced but is monitoring developments abroad. Inflation is anticipated to remain near its recent low level in the near term but the Committee expects inflation to rise gradually toward 2 percent over the medium term as the labor market improves further and the transitory effects of declines in energy and import prices dissipate. The Committee continues to monitor inflation developments closely.

To support continued progress toward maximum employment and price stability, the Committee today reaffirmed its view that the current 0 to 1/4 percent target range for the federal funds rate remains appropriate. In determining how long to maintain this target range, the Committee will assess progress--both realized and expected--toward its objectives of maximum employment and 2 percent inflation. This assessment will take into account a wide range of information, including measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial and international developments. The Committee anticipates that it will be appropriate to raise the target range for the federal funds rate when it has seen some further improvement in the labor market and is reasonably confident that inflation will move back to its 2 percent objective over the medium term.

The Committee is maintaining its existing policy of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities and of rolling over maturing Treasury securities at auction. This policy, by keeping the Committee's holdings of longer-term securities at sizable levels, should help maintain accommodative financial conditions.

When the Committee decides to begin to remove policy accommodation, it will take a balanced approach consistent with its longer-run goals of maximum employment and inflation of 2 percent. The Committee currently anticipates that, even after employment and inflation are near mandate-consistent levels, economic conditions may, for some time, warrant keeping the target federal funds rate below levels the Committee views as normal in the longer run.

Consumer Confidence – The Conference Board *Consumer Confidence Index®*, which had increased in August, improved moderately in September. The Index now stands at 103.0 (1985=100), up from 101.3 in August. The Present Situation Index increased from 115.8 last month to 121.1 in September, while the Expectations Index edged down to 91.0 from 91.6 in August.

Consumer Price Index (CPI) – The Consumer Price Index for All Urban Consumers (CPI-U) decreased 0.2 percent in September on a seasonally adjusted basis, the U.S. Bureau of Labor Statistics reported today. Over the last 12 months, the all items index was essentially unchanged before seasonal adjustment.
The energy index fell 4.7 percent in September, with all major component indexes declining. The gasoline index continued to fall sharply and was again the main cause of the seasonally adjusted all items decrease. The indexes for fuel oil, electricity, and natural gas declined as well. In contrast to the energy declines, the indexes for food and for all items less food and energy both accelerated in September. The food index rose 0.4 percent, its largest increase since May 2014. The index for all items less food and energy rose 0.2 percent in September. The indexes for shelter, medical care, household furnishings and operations, and personal care all increased; the indexes for apparel, used cars and trucks, new vehicles, and airline fares were among those that declined.

The all items index was essentially unchanged for the 12 months ending September after posting a 0.2 percent increase for the 12 months ending August. The 18.4 percent decline in the energy index over the past year offset increases in the indexes for food (up 1.6 percent) and all items less food and energy (up 1.9 percent).

Key Local Economic Indicators

Florida Unemployment - Florida's seasonally adjusted unemployment rate was 5.2 percent in September 2015, down 0.2 percentage point from the revised August 2015 rate of 5.4 percent, and down 0.6 percentage point from 5.8 percent a year ago. There were 497,000 jobless Floridians out of a labor force of 9,532,000. The U.S. unemployment rate was 5.1 percent in September. Florida's unemployment rate has been less than or equal to the national rate for 23 of the last 34 months.

Area Statistic	September 2015	August 2015	Change
Florida (Seasonally adjusted)	5.2%	5.4%	-0.2%
Pinellas County (Not seasonally adjusted)	4.7%	4.9%	-0.2%
Tampa-St. Petersburg-Clearwater (Not seasonally adjusted)	5.0%	5.2%	-0.2%

Florida Consumer Sentiment Index

Consumer sentiment among Floridians fell nearly three points in September to 87.9. Among the five components that make up the index four declined and one increased. Perceptions of personal finances now compared to a year ago fell 2.1 points to 80.5 while expectations of personal finances a year from now fell 3.5 points to 96.9. Expectations of U.S. economic conditions over the next year fell 5.9 points to 83 while expectations of U.S. economic conditions over the next five years fell 6.1 points to 82.3. Perceptions as to whether it is a good time to buy big ticket items rose 3.5 points to 96.7.

"Given the correction in the stock market at the end of August we expected our index to decline this month," said Chris McCarty, the Survey Director. "At that time the market was, and still is, reacting to growing weakness in the Chinese economy, a significant driver of global economic growth. A slower Chinese economy indicates lower global demand and a decline in demand from Chinese manufacturers for global inputs. It also raises uncertainty over economic and political stability in a region that has become reliant on China as the anchor. While U.S. stock markets have stabilized in the short run we are down 5.4 percent for the year, and at one point we were down more than 10 percent. This is reflected in the breakdown of the components by demographics. The sharpest declines were among older respondents and those making more than $50,000 per year on the short and long run expectations of U.S. economic conditions. Both groups are likely concerned that further corrections are coming."

Florida housing indicators

- The median sale price for a home in Florida was $199,900 in August 2015, up 11.1% from $180,000 a year ago, according to the Monthly Market Summary (Single Family Homes) Report published by *FloridaRealtors.org*. There were 23,651 closed home sales in August, up 8.8% from 21,742 a year ago.

Florida sales and tax revenue

- Florida Sales and Use Tax collections were roughly $1.9B in July 2015. July 2014 collections were slightly lower coming in at $1.8B.
- Pinellas County Sales and Use Tax collections totaled $78.2M in July 2015, compared to $73.6M a year ago.